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IN THE

Supreme Court of the United States

OCTOBER TERM, 1983

DANNY RAY GRANT, *et al.*,
Petitioners,

v.

ERIE INSURANCE EXCHANGE, *et al.*,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Third Circuit

---

BRIEF FOR RESPONDENTS IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether the District Court and the Court of Appeals correctly held that the McCarran-Ferguson Act (15 U.S.C. § 1011 *et seq.* (1976)) renders the Sherman Act inapplicable to a dispute between petitioner, claimant under a no-fault automobile insurance policy, and respondent insurers as to whether the Pennsylvania No-Fault Motor Vehicle Insurance Act and implementing regulations required payment of certain "work loss" benefits to petitioner.

2. Whether the District Court and Court of Appeals correctly held that an alleged agreement among insurers to adopt a uniform interpretation of the Pennsylvania No-Fault Motor Vehicle Act did not constitute a boycott within the meaning of the McCarran-Ferguson Act, where there was no refusal to deal by any insurer and Pennsylvania mandates uniformity among insurers in offering no-fault insurance coverages.

STATEMENTS REQUIRED BY RULE 28.1

This opposition to the petition for a writ of certiorari is filed jointly by the following respondents:

The Aetna Casualty and Surety Company
Allstate Insurance Company
American State Insurance Company
CNA Insurance Company
Commercial Union Insurance Company
Donegal Mutual Insurance Company
Employer's Insurance of Wausau
Erie Insurance Exchange
Fireman's Fund Insurance Companies
General Accident Insurance Company
Harleysville Insurance Company
Hartford Accident and Indemnity Company
Home Insurance Company
Insurance Company of North America
Lumbermens Mutual Casualty Company
Keystone Insurance Company
Liberty Mutual Insurance Company
Maryland Casualty Company
Motorists Insurance Companies
Nationwide Mutual Insurance Company
Ohio Casualty Insurance Company
Pennsylvania National Insurance Company
Prudential Property and Casualty Insurance Company
Royal Insurance Company
Shelby Mutual Insurance Company
State Automobile Mutual Insurance Company
State Farm Mutual Automobile Insurance Company
Statesman Group
Travelers Insurance Companies
United States Fidelity & Guaranty Company

Appendix A to this opposition contains a listing of respondents' parent companies, subsidiaries (except wholly owned subsidiaries) and affiliates as required by Rule 28.1 of this Court's Rules.

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BRIEF FOR RESPONDENTS IN OPPOSITION

STATEMENT OF THE CASE

Respondents file this brief in opposition to the petition of Danny Ray Grant,[1] for a writ of certiorari to review the judgment of the United States Court of Appeals for the Third Circuit. That Court summarily affirmed the District Court's decision which rejected petitioner's attempt to convert a claim under the Pennsylvania No-Fault Motor Vehicle Insurance Act ("No-Fault Act") into an antitrust claim.

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[1] The notice of appeal from the judgment of the District Court was filed on behalf of petitioner Grant alone (R. 261a). Accordingly, the other original plaintiffs are not proper petitioners in this Court.

A. Nature of the Case

The No-Fault Act requires every insurer to include in all Pennsylvania automobile insurance policies certain forms of coverage for injuries suffered in automobile accidents, without regard to fault.[2] Insurers have no discretion with regard to payment of benefits prescribed by the No-Fault Act; however, the language of the Act is subject to multiple interpretations which have spawned numerous state court actions by claimants against insurers.[3]

Among the required No-Fault Act coverages is protection against "work loss." 40 Pa. Cons. Stat. Ann. § 1009.207(a) (Purdon Supp. 1983). The aspect of the extensive, ongoing litigation[4] between insurers and various claimants involved here is under what circumstances the No-Fault Act requires the payment of work loss benefits in the event of the death of an automobile accident victim ("post-mortem work loss").

Notwithstanding the pendency of numerous state court class actions involving post-mortem work loss, which include the plaintiffs in this case as named plaintiffs or

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[2] Pennsylvania No-Fault Motor Vehicle Insurance Act 40 Pa. Cons. Stat. Ann. §§ 1009.101-1009.701 (Purdon Supp. 1983).

[3] Benefits payable under the Act are recoverable in an action on the insurance policy. The No-Fault Act provides for interest on overdue benefits at the rate of 18% per annum, 40 Pa. Cons. Stat. Ann. § 1009.106(a)(2) (Purdon Supp. 1983), and for the award of attorneys' fees where benefits are withheld "without reasonable foundation." *Id.* at § 1009.107(3) (Purdon Supp. 1983).

[4] *See, e.g., Heffner v. Allstate Ins. Co.*, 265 Pa. Super. 181, 401 A.2d 1160 (1979), *aff'd*, 491 Pa. 447, 424 A.2d 629 (1980) (whether post-mortem work loss benefits were payable at all); *Reynolds v. Nationwide Mut. Ins. Co.*, 303 Pa. Super. 31, 449 A.2d 62 (1982) (whether benefits are payable to persons other than statutorily designated "survivors"); *Baker v. Aetna Casualty & Surety Co.*, 454 A.2d 1092 (Pa. Super. Ct. 1982), *petition for allowance of appeal* No. 44 (Pa. filed Jan. 31, 1983) (whether the decision in *Heffner* is retroactive).

class members, petitioner brought this action alleging that the defendant insurers had conspired with one another in violation of the antitrust laws to refuse payment of post-mortem work loss claims, to resist such claims, and to press allegedly "spurious" defenses to such claims. *Grant v. Erie Insurance Exchange*, 542 F. Supp. 457, 460 (M.D. Pa. 1982). The centrality of Pennsylvania insurance law to this case has always been perfectly clear. The District Court's opinion, 542 F. Supp. at 466, and the petition for certiorari itself demonstrate that the thrust of petitioner's purported antitrust action is simply to utilize the antitrust laws to supplant Pennsylvania's No-Fault Act and the comprehensive insurance regulatory scheme implemented by the Commonwealth.[5]

B. The Proceedings Below

At the outset of the action, all defendants filed dispositive motions (to dismiss, for judgment on the pleadings, or for summary judgment). The motions were granted by the District Court which held that the conduct alleged was within the business of insurance, governed by Pennsylvania's active and comprehensive regulatory scheme, and exempt from the antitrust laws by virtue of the McCarran-Ferguson Act, *Grant*, 542 F. Supp. at 461-65. The District Court also held that the conduct alleged involved neither a restraint of trade nor antitrust injury,[6]

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[5] Thus, the questions presented specially emphasize that the alleged conspiracy is claimed to be an "*agreement to violate* the Pennsylvania No-Fault Motor Vehicle Insurance Act" and not to provide or pay "*statutorily mandated* and *judicially required* decedent work loss benefit." (Petition, i.) The statement of the case again emphasizes the alleged "'*agreement to violate* the No-Fault Act.'" (Petition, 6.) The argument does likewise. (Petition, 7.) All of the typographical emphasis in these quotations is in the Petition.

[6] Under the Pennsylvania regulatory scheme where uniform no-fault coverage is statutorily mandated, there is no room for competition with respect to the benefits that must be paid under the

id. at 463, 466, but rather is simply a dispute under the law of contract. The Third Circuit affirmed "essentially for the reasons expressed by the District Court with regard to the McCarran-Ferguson Act."

REASONS FOR DENYING THE WRIT

None of the considerations governing review on certiorari, as set forth in this Court's rules, supports the grant of the requested writ. The District Court's and Third Circuit's opinions are wholly consistent with settled law under the McCarran-Ferguson Act and are not in conflict with any pertinent decisions of this Court or other Courts of Appeals. No issue of general or national importance is presented by the petition.

I. THE DISTRICT COURT AND THE COURT OF APPEALS CORRECTLY APPLIED THE McCARRAN-FERGUSON ACT

This is not a case in which insurers are alleged to have conspired with persons outside the insurance industry. Neither does it involve an attempt to affect prices in non-insurance markets. *Cf. Group Life & Health Insurance*

Act. Pennsylvania requires insurers to use only approved policy forms and to charge rates filed with the Department of Insurance and fixed in accordance with applicable law. No-Fault Act, 40 Pa. Cons. Stat. Ann. §§ 1009.109(a), 1009.109(b), 1009.209(b) (Purdon Supp. 1983), 40 Pa. Cons. Stat. Ann. 1009.204(b) (Purdon Supp. 1983); Insurance Act, § 354, 40 Pa. Cons. Stat. Ann. § 477b (Purdon Supp. 1983); Casualty and Surety Rate Regulatory Act, § 4(a), 40 Pa. Cons. Stat. Ann. § 1184(a) (Purdon Supp. 1983). To prevent deviation from the approved policy forms and rates, Pennsylvania forbids the insurer to give and the insured to accept "any rebate . . . or any favor of advantage . . . or any valuable consideration or inducement, *other than such as are specified in the policy.*" Insurance Department Act, § 636, 40 Pa. Cons. Stat. Ann. § 276 (Purdon 1971) (forbidding acceptance) (emphasis added); Insurance Company Act § 347, 40 Pa. Cons. Stat. Ann. 471 (Purdon 1971) (forbidding giving); Unfair Insurance Practices Act, 40 Pa. Cons. Stat. Ann. § 1171.5(a)(8) (Purdon Supp. 1983) (same).

Co. v. Royal Drug Co., 440 U.S. 205 (1979); *Union Labor Life Insurance Co. v. Pireno*, 102 S. Ct. 3002 (1982). Rather, it involves only allegations of an agreement between insurers to take certain positions regarding the interpretation of the Pennsylvania No-Fault Act (which all parties agree defined the insurers' contract obligation) and to urge the state courts and regulatory authorities to adopt the interpretations favored by the insurers.[7]

The District Court and Court of Appeals correctly found that the McCarran-Ferguson Act as interpreted by this Court exempts respondents' conduct from antitrust scrutiny. Under *Pireno*, 102 S. Ct. at 3009, three criteria must be considered in determining whether particular conduct is within the "business of insurance":

> *first*, whether the practice has the effect of transferring or spreading a policyholder's risk; *second*, whether the practice is an integral part of the policy relationship between the insurer and the insured; and *third*, whether the practice is limited to entities within the insurance industry. None of these criteria is necessarily determinative in itself . . .

Id. (Emphasis in original.)[8]

The central issue in the dispute between the parties, both here and in the state courts, is whether and when in death cases the No-Fault Act transfers to the insurer the insured's work loss risk. Definition of the risk to be transferred from the insured to the insurer is a crucial part of the "spreading and underwriting of a policy-

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[7] There are reasons beyond those adopted by the District Court for doubting that this conduct is or could be actionable under the federal antitrust laws. *See Eastern Railroad Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961); *United Mine Workers v. Pennington*, 381 U.S. 657 (1965); *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508 (1972).

[8] As they did below, plaintiffs ignore the second and third criteria (implicitly recognizing that neither factor supports their position at all) and rely solely on the first. Thus, contrary to the teachings of *Pireno*, they seek to treat that one factor as dispositive.

holder's risk." *Group Life & Health Insurance Co. v. Royal Drug Co.*, 440 U.S. 205, 211-12 (1979). It is on a par with and a necessary part of ratemaking, which is simply the process by which a price at which the insurer will assume the defined risk is determined. *See Quality Auto Body, Inc. v. Allstate Insurance Co.*, 1980-2 Trade Cas. (CCH) ¶ 63,507 at 76, 696-97 (N.D. Ill. 1980), *aff'd*, 660 F.2d 1195 (7th Cir. 1981), *cert. denied*, 455 U.S. 1020 (1982).

There can be no dispute that defining what risk will be transferred (and therefore which claims should be paid) is an "integral part of the relationship between the insurer and insured," a relationship which this Court has described as being "the core of the business of insurance." *Pireno*, 102 S. Ct. at 3008; *SEC v. National Securities, Inc.*, 393 U.S. 453, 460 (1969). There is no claim that the alleged conspiracy involved parties outside the insurance industry.

In *Pireno* and *Royal Drug* this Court drew a careful distinction between risk transfer and cost savings, holding that risk transfer is within the scope of the business of insurance, but that mere cost savings is not.[9] Petitioner, failing to recognize this distinction, argues that the conduct at issue, determination of whether the insured is entitled to a particular category of benefits, *i.e.*,

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[9] In *Royal Drug*, the Court distinguished the policy obligations from the pharmacy agreements used to cut the cost of carrying out those obligations.

> The fallacy of the petitioners' position is that they confuse the obligations of Blue Shield, under its insurance policies, which insure against the risk that policyholders will be unable to pay for prescription drugs during the period of coverage, and the agreements between Blue Shield and the participating pharmacies, which serve only to minimize the costs Blue Shield incurs in fulfilling its underwriting obligations.

Royal Drug Co., 440 U.S. at 213 (footnote omitted). *See Pireno*, 102 S. Ct. at 3010.

whether a risk was transferred under the policy, is "risk reduction." Petitioner mistakenly treats this "risk reduction" as a cost saving device and nothing more. Entitlement to an entire category of benefits was not the issue in either *Pireno* or *Royal Drug*. Instead, both were concerned with how much the insurer would pay to third parties who provided drugs or services to insurers.[10]

The second infirmity in petitioner's argument is that *Pireno* and *Royal Drug* do not hold that "all cost reduction" agreements are outside the business of insurance. The fact that defendants' alleged activities incidentally may reduce their cost does not mean that those activities are a "cost reduction device" within the meaning of *Pireno* and *Royal Drug*. The United States, as *amicus* in *Pireno*, pointed out that "the fact that conduct reduces insurer costs does not by itself place the conduct outside of the business of insurance." "Coverage of deductibles, underwriting exclusions, coinsurance factors and risk limitations", *inter alia*, reduce insurer cost by limiting the risk assumed by the insurer, yet also constitute part of the business of insurance both because they allocate risk and because they constitute part of the contractual agreement between insurer and insured. Brief for the United States as Amicus Curiae at 14 n.14, in *Pireno*.[11]

The Court of Appeals and the District Court correctly applied the law under *Pireno* and *Royal Drug* to the facts of this case. Furthermore, this case, grounded as it is in interpretation of the Pennsylvania No-Fault Act, presents no question of importance to future cases. Accordingly, review by this Court would serve no purpose.

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[10] In the present case, there is no claim that the alleged conspiracy involved parties outside the insurance industry.

[11] The United States also noted that the insurer's interpretation and enforcement of its insurance policy were not at issue in *Pireno*, Brief for the United States as Amicus Curiae at 15. Here, in contrast, policy interpretation and interpretation of the No-Fault Act is the essence of the case.

II. THE DECISIONS OF THE COURTS BELOW, REFUSING TO CHARACTERIZE THE ALLEGED CONDUCT AS A "BOYCOTT," DO NOT CONFLICT WITH ANY DECISION OF THIS COURT OR THE COURTS OF APPEALS

As used in antitrust law, the term "boycott" refers to an agreement among competitors to refuse to trade with a particular person for the purpose of altering competition between the parties. *See St. Paul Fire & Marine Insurance Co. v. Barry*, 438 U.S. 531 (1978) (agreement among insurers not to trade with former customers of one insurer in order to coerce them to accept the type of policy which that insurer sought to sell).

This case lacks the essential features of a boycott. Here, there is no allegation that defendants refused to trade with anyone (or agreed to do so). Instead, what petitioner asserts is that defendants did trade and specifically undertook obligations which they have failed to perform. Whatever the merits of petitioner's contentions regarding defendants' obligations, the alleged illegal conduct involves no refusal to deal, concerted or otherwise. Statutorily mandated uniformity displaced any possible competition regarding the required coverage. Whatever that coverage was, defendants had no choice but to sell it. Consequently, the essential elements of a boycott are absent. There was no area of competition to be affected by the alleged conspiracy and no refusal to trade.[12]

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[12] In *Barry* it was also noted that a "boycott" entails a refusal to trade for the purpose of "pressuring a party with which one has a dispute" to accede to the position of the boycotting party. 438 U.S. at 541. But there is no allegation (and no conceivable basis for one) that the denial of benefits alleged in the Complaint is intended to pressure insureds to accede to the defendants' position in any dispute. To the contrary, the dispute is precisely over whether the benefits are due at all. By denying these benefits, the insurers are merely refusing to accede to the insureds' position in that dispute. Whatever might be the case were benefits withheld to pressure insureds to accede to defendants' position in some collateral dispute (over premiums, perhaps), the concept of "boycott" is simply irrelevant to the conduct alleged.

Again, the courts below have correctly applied settled law to a unique factual situation. No purpose would be served by review in this Court.

CONCLUSION

For these reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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APPENDIX

APPENDIX

This Appendix sets forth for each respondent the listing of parents, subsidiaries and affiliates as required by Rule 28.1.

The Aetna Casualty and Surety Company

The Aetna Casualty and Surety Company's parent is Aetna Life and Casualty Company. The Aetna Casualty and Surety Company owns more than twenty percent of the following partnerships: Rahn Properties, Camballin Farms, Taas Associates, Square 254 General Partnership, Ponderosa Homes, ABP Associates Limited, Portside Properties Limited, 1090 Vermont Avenue N.W. Associates Limited Partnership, and Allis-Chalmers Leasing Partnership. It also owns more than twenty percent of the following joint ventures: Mariner Brookhollow Joint Venture, Peacock Gap Associates, and Ponderosa/Flintridge Associates, and more than twenty percent of the following corporation: Aegen International, Inc. Through a wholly owned subsidiary, The Aetna Casualty and Surety company also owns more than twenty percent of the following joint ventures: Lewis Energy Corporation Joint Exploration Program and Huffco U.S. Exploration Program. Aetna Life and Casualty Company or its other subsidiaries own more than twenty percent of the following corporations: Aetna Life and Casualty Limited (Australia), Compania de Seguros Generales Aetna Banchile S.A. (Chile), Compania de Fondos de Pensioners Santa Maria S.A. (Chile), Geografrance S.A., Petroleum Drilling Services Columbia Pty. Ltd. (Cayman Islands), Geosource South Africa (Pty.) Limited, Geosource Argentina S.A. Geosource Nigeria Limited, Petroleum Drilling Services (Australia) Pty. Ltd., Ucamer Shipping and Transportation Company (Cayman) Ltd., Southern Cross Orchards (New Zealand), CS Development Corporation, Landex Properties Limited (British Columbia), Marex Properties Limited (Canada Federal),

1001 Boulevard de Maisonneuve O., Inc. (Canada), Cottonwood Corner Shopping Center, Inc. (British Columbia), Fortress Mountain Resorts, Ltd. (Canada), Aetna Income Shares, Inc., Aetna Variable Fund, Inc., and Samual Montagu & Co. (Holdings) Limited (United Kingdom). Aetna Life and Casualty Company or its subsidiaries also own more than twenty percent of the following partnerships and joint ventures: Local Digital Distribution Company, Hartford Center Hotel Partnership, Hartford Sports Cable Company, Aetna Telecommunications Consultants, Geosource Epig Service Company Ltd. (Sudan), Geosource Saudi Arabia Co., Ltd., GH Industrial Services Ltd. (Saudi Arabia), Geosismo S.A. (Peru), Romgeo Exploration Co. Ltd. (Cayman Islands), Valvulas Crosby Industria e Comercio Ltda (Brazil), ARB Properties, Bayhill Three Associates, East Cactus Plaza Associates, Friday Associates, Koll Center Newport A, Koll Center Newport Number 1, Koll Center Newport Number 2-3, Koll Center Newport Number 4, Koll Center Newport Number 6, Koll Center Newport Number 7, Koll Center Newport Number 8, Koll Center Newport Number 9, Koll Center Newport Number 10, Koll Center Newport Number 11, North Park Plaza Associates, Pantano Associates, Parkway Central Plaza Ltd., 1670 Broadway, St. Vincents Mall, Village Plaza Associates, Baltimore Fashion Park Associates, Lincoln Center, Chris-Town Village Associates, Crossroads Shopping Center, Edina Office Center Joint Venture, Empire Park Associates, Empire Park IV Associates, Golden State Associates, Hayward Industrial Park Associates II, Hillcrest Associates, Kemble Associates, Lincoln Benicia III Associates, Meridian Associates, Silverada Mall, TRI Freeways Associates, Tatum Associates, Washington Plaza, Westwood Mall Associates, Wit Associates, O'Hare Center Venture, Lincoln Oakland Coliseum I&II Associates, Yellow Brick Road, RBA II Associates, Southwest Financial Plaza Annex, Corporate Park Northwest Associates, Royal Commerce Center As-

sociates, Hayward Industrial Park Associates III, Southwest Financial Plaza, 160 Acre Tract Venture, B.K. Urban Venture, City Place Venture, Hodges Urban Venture, Marban, Marriott Urban Boston Venture, Westglenn Venture, One Logan Square Associates, Deerpath Atrium Center Associates, Montbello Commercial Venture, Montbello Community Venture, 900 North Michigan Venture, Oakbrook-Urban Venture, U-C Associates, Ritz-Carlton Water Tower Venture, 333 Wacker Drive Venture, Streamwood Industrial Properties, Urban Miller-Davis Quincy Venture, Urban Miller-Davis Carlsbad Venture, Westban Hotel Venture, Merritt-Urban II Venture, 200 S. Wacker Avenue, 841 Chestnut Partnership, Quincy Investment Company, Carlsbad Research Center, Denver Tech Center Associates, DTC Shopping Center Associates, DTC Associates, Inland-Hussinger Joint Venture, Inland-Wilson Joint Venture, Lawrence Street Associates, UIDC Miller-Davis City Center Venture, Urban Four-Seasons Hotel Venture, Houston Center Athletic Club Venture, Aspen Skiing Company, Pebble Beach Company, Studio Properties Company, Am Co Ho Company, Crossroads Limited, Koll Business Centers-Bay Area, Koll Business Centers-Orange, Koll Business Centers-San Diego, Koll Business Centers-San Diego #2, Koll Business Centers-Seattle, Northway Square Phase One, Bayhill V, Valley Plaza Limited, Koll Income Properties.

Allstate Insurance Company

Allstate's parent corporation is Sears, Roebuck and Co. Allstate's affiliates and subsidiaries (except for its wholly owned subsidiaries, the wholly owned subsidiaries of Sears, Roebuck and Co. and the wholly owned subsidiaries of their subsidiaries and wholly owned subsidiaries) are:

Allstate Insurance Company of Canada

Allstate Life Insurance Company of Canada

The Armstrong Rubber Company

Copolymer Rubber and Chemical Corporation

DeSota Inc.

Kellwood Company

Roper Corporation

Sears, Roebuck de Mexico, S.A. de C.V.

Simpson-Sears Limited

Inglis Limited

Simpson-Sears Acceptance Co., Ltd.

Simpson-Sears Properties Ltd.

Universal-Rundle Corp.

"Affiliates" listed above are those which Allstate included as of December 31, 1981 in Item 2 of the Registration Statement which Allstate is required to file in its domiciliary state to comply with the Insurance Holding Company Systems Act, Ill. Ann. Stat. Ch. 73 § 743.1 *et seq.* Affiliates whose assets are not greater than one-half (½) of 1% of Allstate's assets are not included in Item 2 of the Registration Statement. An Investment Schedule listing affiliates whose assets are less than one-half of 1% of Allstate's assets is available upon request.

American State Insurance Company

The parent of American State Insurance Company is Lincoln National Corporation. The only subsidiary of American State Insurance Company which is not wholly owned is American State Life Insurance Company.

CNA Insurance Company

The parent of CNA Insurance Company is CNA Financial Corporation.

Commercial Union Insurance Company

The parent of Commercial Union Insurance Company is Commercial Union Corp. which is a wholly owned subsidiary of Commercial Union Assurance, Ltd.

Donegal Mutual Insurance Company

Donegal Mutual Insurance Company has no related companies which are not wholly owned.

Employer's Insurance of Wausau

Employee's Insurance of Wausau has no related companies which are not wholly owned.

Erie Insurance Exchange

Erie Insurance Exchange is not a corporation. Erie Insurance Exchange is managed by Erie Indemnity Company, attorney-in-fact for Erie Insurance Exchange. The only subsidiary or affiliate of Erie Indemnity Company, other than wholly owned subsidiaries, is Erie Family Life Insurance Company.

Fireman's Fund Insurance Company

All of the voting securities of Fireman's Fund Insurance Company are held by Fireman's Fund/American Express, Inc. All of the non-voting securities of Fireman's Fund Insurance Company are held by American Express Insurance Holdings, Inc. Both of these entities are wholly owned subsidiaries of the American Express Company.

The following list includes the names of all subsidiaries and affiliates of the entities set forth above other than the wholly owned subsidiaries of any of them or their wholly owned subsidiaries:

American Express de Brasil S.A. Turismo

American Express D'Espana, S.A.

American Express Argentine, S.A.

American Express (Thai) Co., Ltd.

Travelers Cheque Associates Limited

Societe Francoise du Cheque de Voyage

Jetamex Limited

Egyptian American Bank

Amex-Biria International, S.A.

Ultramex S.A. Arrendamento Mercantil

Arrendadora Commercial Amex S.A. de C.V.

Witan Enterprises, Inc.

Woodmere Enterprises, Inc.

AMP—Amex Leasing Limited

Pacific Bank Berhad

HMB Subwork

Trade Investment Shopping Centre, Ltd.

TDB Distribuidora de Titulos E. Valores Mobiliarios, Ltda.

Republic Leasing do Brazil S.A. Arrendamento Mercantil

Sociedad del Desarrollo Mercantil Limitada

Hethersett Ltd.

Warner Amex Cable Communications, Inc.

a). Warner Amex Cable Communications of Reston, Inc., Delaware Houston Cable T.V., Inc.

b). Warner Amex Cable Communications of Cincinnati, Inc.

c). Warner Cable Corp. of Pittsburgh

d). Warner Amex Cable Communications of Lynn, Inc.

e). Warner Amex Cable Communications of St. Louis, Inc.

f). Warner Amex Cable Communications of Austin/Scottsburg, Inc.

g). Warner Amex Cable Communications of Harris County, Inc.

h). Warner Amex Securities System of Texas, Inc.

i). Warner Arizona CATV

j). Garden State Micro Relay, Inc.

General Accident Insurance Company

The parent of General Accident Insurance Company is General Accident Fire and Life Assurance Corporation p.l.c.

Harleysville Insurance Company

Harleysville Insurance Company has no related companies which are not wholly owned.

Hartford Accident and Indemnity Company

Hartford Accident and Indemnity Company's parent is Hartford Fire Insurance Company, which is more than ninety-nine percent owned by International Telephone and Telegraph Corporation ("ITT"). Hartford Accident and Indemnity Company owns in excess of ninety-five percent of The Hartford Money Market Fund, Inc. ITT or its subsidiaries also own more than twenty percent of the common stock of the following publicly-traded domestic corporations: Piper Jaffray, Inc. (25 percent) and Wheat First Securities, Inc. (25 percent).

Home Insurance Company

All of the voting securities of Home Insurance Company are held and owned by the Home Group, Inc. The Home Group, Inc. is a wholly owned subsidiary of City Investing Company.

The following list includes the names of all subsidiaries and affiliates of the entities set forth above other than the wholly owned subsidiaries of any of them or their wholly owned subsidiaries.

N.V.D.P.G.S.A. (Belgium)

Photofinishing Holding International B.V.

Rassini Rheem, S.A. de C.V.

Productos Tubulares Monclova, S.A.

Rheem Blagden Limited

Rheem (Far East) Pte. Ltd.

Rheem Metalurgies S.A.

Rheem Radi S.p.A.

Rheem South Africa (Pty.) Limited

Saiar Sociedad Anonima

Industria y Commercial de Aceros Rheem

TMT N.V.

GDV, Inc.

Home Lloyd's Insurance Company of Texas

Insurance Company of North America

Insurance Company of North America is a wholly owned subsidiary of INA Financial Corporation, a wholly owned subsidiary of INA Corporation. In turn, INA Corporation is a wholly owned subsidiary of CIGNA Holdings, Inc., which is a wholly owned subsidiary of CIGNA Corporation, the ultimate parent company and a publicly traded company. Insurance Company of North America's subsidiaries (except thirty-three (33) wholly owned subsidiaries) and affiliates (see 26 U.S.C. Sections 1501, 1502, 1504; Treas. Reg. Section 1.1502-1) are:

Compagnie Financier INA (France)

Campagnie Nouvelle d'Assurance (France)

INA International Investors, Ltd. (Pennsylvania)

La Nouvelle, S.A. (France)

Societe Civile Immobiliere Turina (France)

In addition to the foregoing, the parent companies of Insurance Company of North America have varying ownership interest in almost four hundred other insur-

ance, insurance related, health care, real estate, and investment companies, both domestic and foreign, including Connecticut General Corporation, Paine Webber Incorporated (approximately a 20% interest), and their respective subsidiaries and affiliates. Should the Court desire listings of any of these companies, including the subsidiaries and affiliates of Paine Webber Incorporated, Insurance Company of North America will supplement its listing.

Lumbermans Mutual Casualty Company

The following are subsidiaries (except wholly owned subsidiaries) and affiliates of Lumbermans Mutual Casualty Company:

Central Mortgage Company

National Agents Service Company Inc.

Kemper Corporation

American Manufacturers Mutual Insurance

Fidelity Life Association

Kemper County Mutual Insurance Company

Kemper Lloyds Insurance Company

Keystone Insurance Company

The following are subsidiaries and affiliates of Keystone Insurance Company:

Keystone Automobile Club

Keystone Insurance Company

Keystone Worldwide Travel

Key-pac Realty Corp.

Liberty Mutual Insurance Company

Liberty Mutual Insurance Company and its affiliate Liberty Mutual Fire Insurance Company are associated with the following:

Liberty Life Assurance Company of Boston

Liberty International Agency, Inc.

Liberty Insurance Corporation

Liberty Northwest Insurance Corporation

Helmsman (Underwriting) Ltd.

Liberty Mutual Insurance Company (Massachusetts) Ltd.

Liberty Mutual Management (Bermuda) Ltd.

Liberty Mutual (Bermuda) Ltd.

Berkeley Management Corporation

Helmsman Management Services, Inc.

Maryland Casualty Company

The parent company of Maryland Casualty Company is American General Corporation.

Affiliates and subsidiaries (other than wholly owned subsidiaries) of Maryland Casualty Company are:

AGC Life Insurance Company

Albany Life Assurance Co., Ltd.

Albany Life Group Services Limited

Albany Pension Managers & Trustees Limited

Alpine Insurance Service

American General Assurance Group (U.K.), Limited

American General Contractual Services, Inc.

American General Exchange Corporation

American General Investment Corporation

American General Life Insurance Company

American General Life Insurance Company of Delaware

American General Life Insurance Company of New York

American General Life Insurance Company of Oklahoma

American General Lloyds

American General Mortgage Company

American General Realty Company

American General Securities Incorporated

American General Services Company

American General Shareholders Corporation

Atlas Realty Company

California-Western States Life Insurance Company

Cal-Western Securities Company

CFC Investment, Inc.

Credithrift Computer Services Corp.

Credithrift Financial, Inc.

Credithrift Financial Corporation

Evansville Morris Plan Co., Inc.

Fidelity Investment, Inc.

Financial Life Assurance Company of Canada

Grand Ole Opry Tours, Incorporated

Great Falls Insurance Company

Great State Corporation

Great State Financial Corporation

Great State Service Corporation

GS Consultants, Inc.

Guardsman Life Insurance Company

Robert Hampson, Inc.

Hawaiian Life Insurance Company, Ltd.

Intercal Company

Intereal Company

Jovencal Realty, Incorporated

Jovenlou Corporation
Joventex Corporation
Joventucky Corporation
Knickerbocker Corporation
Lake Howell Corporation
Life and Casualty Insurance Company of Tennessee
Lincoln American Corporation
Lincoln American Life Insurance Company
Merit Life Insurance Company
Morlan Pacific Corporation
The Morris Plan Company of California
The National Life and Accident Insurance Company
The National Property Owners Insurance Company
NLT Corporation
NLT Marketing Services Corporation
National Public Service Insurance Company
Opryland U.S.A. Talent Agency, Incorporated
Pioneer Security Life Insurance Company
Rylis Realty Company
South Padre Land Company
State Savings and Loan Association
Tennessee JV Corporation
Tennessee Vintage Corporation
Thrift, Incorporated
The Variable Annuity Life Insurance Company
The Variable Annuity Marketing Company
Westerlic Corporation, Ltd.
WSM, Incorporated
Yosemite Insurance Company

Motorists Insurance Companies

The parent of Motorists Insurance Companies is Motorists Mutual Insurance Company and the affiliates are:

MICO Insurance Company

Motorists Building Corporation

Motorists Agency Service, Inc.

Nationwide Mutual Insurance Company

Nationwide Mutual Insurance Company has no related companies which are not wholly owned.

Ohio Casualty Insurance Company

The parent of Ohio Casualty Insurance Company is Ohio Casualty Corporation.

Pennsylvania National Insurance Company

The following are wholly owned affiliates of Pennsylvania National Insurance Company:

Penn National Insurance Company

Penco Consumer Discount, Inc.

Inservo Insurance Service

ESL, Inc.

Prudential Property and Casualty Insurance Company

The parent of Prudential Property and Casualty Insurance Company is Prudential Insurance Company.

Royal Insurance Company

The parent of Royal Insurance Company is Royal Group, Inc.

Shelby Mutual Insurance Company

Shelby Mutual Insurance Company has no related companies which are not wholly owned.

State Automobile Mutual Insurance Company

State Automobile Mutual Insurance Company has no related companies which are not wholly owned.

State Farm Mutual Automobile Insurance Company

State Farm Mutual Automobile Insurance Company has no related companies which are not wholly owned.

Statesman Group

Statesman Group has no parent company, subsidiaries or affiliates.

Travelers Insurance Companies

The Travelers Corporation is the ultimate parent company of The Travelers Insurance Companies herein (including The Travelers Indemnity Company, The Phoenix Insurance Company, The Charter Oak Fire Insurance Company, The Travelers Indemnity Company of Rhode Island, The Travelers Indemnity Company of Illinois and The Travelers Indemnity Company of America. It is also the immediate parent of The Travelers Indemnity Company and The Travelers Indemnity Company of Illinois.).

The Phoenix Insurance Company is the immediate parent of The Travelers Indemnity Company of Rhode Island and The Travelers Indemnity Company of America. The Travelers Indemnity Company is the immediate parent of The Charter Oak Fire Insurance Company and The Phoenix Insurance Company. The affiliates of The Travelers Insurance Companies are as follows:

THE TRAVELERS INSURANCE COMPANIES

The Travelers Corporation

The Travelers Insurance Company

The Travelers Indemnity Company
The Phoenix Insurance Company
The Charter Oak Fire Insurance Company
The Travelers Life Insurance Company
The Travelers Indemnity Company of Rhode Island
The Travelers Indemnity Company of Illinois
The Travelers Indemnity Company of America
The Travelers Insurance Company of Illinois
The Travelers Life and Annuity Company
The Constitution State Insurance Company
The Travelers Pension and Life Insurance Company

OTHER TRAVELERS INSURANCE COMPANIES

Travcan Limited
Travelers Life Insurance Company of Canada
Travelers Indemnity Company of Canada
Travelers Canada Corp.
Travelers Life Insurance Company Overseas Limited (formerly CALICO)
The Travelers Corporation of Bermuda Limited
Travelers Life Insurance Company (Overseas) Ltd. (The)
Terra Nova Insurance Company, Limited
Keystone Provident Life Insurance Company
Keystone Massachusetts Life Insurance Company
The Travelers Reinsurance Company of Bermuda Limited
The Travelers Lloyds Insurance Company
Travelers Corporation (U.K.) Ltd.

GENERAL BUSINESS SUBSIDIARIES—
SECURITIES ACTIVITIES

The Travelers Investment Management Co.
Travelers Equities Sales, Inc.
The Massachusetts Companies, Inc.
MassCo Investment Management Corporation
Fiduciary Investment Company, Inc.
Keystone Custodian Funds, Inc.
Keystone Securities Co., Inc.
Keystone Massachusetts Distributors, Inc.
H.C. Copeland and Associates, Inc.
H.C. Copeland and Associates Equities, Inc.
Intangible Marketing, Inc.
Securities Settlement Corporation
Keystone Provident Financial Services Corp.

GENERAL BUSINESS SUBSIDIARIES
INSURANCE AND NON-INSURANCE BUSINESS

The Prospect Company
Prospect Management Services Company (Del.)
The Plaza Corporation
Auger Insurance Agency, Inc.
E. Broox Randall & Sons, Inc.
William F. O'Connor, Inc.
Carpenter Brothers Insurance Agency, Inc.
Hilstead Insurance Agency, Inc.
William F. Connelly, Jr. Incorporated
Travelers General Agency of Hawaii, Inc.
The Arthur B. Fowler Agency, Inc.
Exsure, Incorporated

Joseph A. Wynne Agency
Charles A. Boyer Inc.
Syd Tozier & Associates, Insurance Brokers, Inc.
Cornutt & McIntire Insurance, Inc.
Constitution State Management Company
Constitution State Service Company
The Travelers Syndicate #1, Inc.
Derby Advertising, Inc.
Constitution Plaza, Inc.
The Travelers Marine Corporation
E.B.S., Inc.

REAL ESTATE SUBSIDIARIES AND ASSOCIATED COMPANIES

Panther Valley, Inc.
Panther Valley Service, Inc.
Pequest Sewer Company
Pequest Water Company
Panther Valley County Club, Inc.
Keystone Real Estate Company, Inc.
Prospect Nebraska Land Holding Company, Inc.
89th & York Avenue Corporation
TMC Realty Partners, Inc.
Travelers Income Properties—I
London & Hartford Corporation
Prospect Holdings, Inc.

SPONSORED MUTUAL FUNDS, VARIABLE ANNUITIES AND SIMILAR INVESTMENT ACCOUNTS

Freedom Fund (The)
Keystone Tax Free Fund

Travelers Equities Fund, Inc.
The Travelers Fund A for Variable Annuities
The Travelers Fund A-1 for Variable Annuities
The Travelers Fund B for Variable Contracts
The Travelers Fund B-1 for Variable Contracts
Travelers Variable Annuity Account V-1
Massachusetts Fund
Master Reserves Trust
Keystone International Fund, Inc.
Keystone Liquid Trust
Keystone Custodian Fund—Series B-1
Keystone Custodian Fund—Series B-2
Keystone Custodian Fund—Series B-4
Keystone Custodian Fund Series K-1
Keystone Custodian Fund Series K-2
Keystone Custodian Fund Series S-1
Keystone Custodian Fund Series S-3
Keystone Custodian Fund Series S-4
Keystone Accumulation Plans
Keystone Money Trust
The Travelers Fund MM for Variable Annuities
Keystone Bond Trust
Keystone Stock Trust
Money Market/Options Investments, Inc.
KMA Variable Account
Master Reserves Tax Free Trust
Aggressive Stock Trust
Managed Assets Trust
Capital T Money Fund

Investment Bond Trust
Capital T Tax Free Fund
Master Reserves Income Fund
Keystone Massachusetts Group, Inc.

JOINT REAL ESTATE VENTURES

Yorba Linda II
Panther Valley Ltd.
Dana Point Marina Company
Oak Creed Apartments
West Village
O'Hare Lake Office Plaza, Ltd.
Brookview Village, Ltd.
Park Newport LTD.
400 University Avenue Prospect Company
Tri-County Grove
Yorba Linda Apartments, Ltd.

FOREIGN INSURANCE VENTURES

Adria-TIC International Holdings, S.A.
La Metropole S.A.
Travelers Asset Management International Corporation
Travelers U.S. Property, Bermuda, Ltd.
Travelers-American Properties (One) N.V.
Travelers-American Properties (Two) N.V.
Travelers-American Properties (Three) N.V.
Travelers-American Properties (Four) N.V.
Travelers-American Properties (Five) N.V.
Travelers-American Properties (Six) N.V.

Travelers American Real Estate Company, Ltd.

T.M.E. (One) N.V.

T.M.E. (Two) N.V.

T.M.E. (Three) N.V.

Travelers Hill Samuel International, Limited

T.M.E. (Four) N.V.

The Travelers International Finance Company

INACTIVE COMPANIES

The Connecticut Fire Insurance Company

C.S.I., Inc.

Travelers Insurance Corporation Proprietary Limited

Employment Retirement Income Systems Company

Fund Administrators, Inc.

TIC Auto Body Co., Inc.

The Travelers Corporation of Asia Limited

United States Fidelity & Guaranty Company

The parent of United States Fidelity & Guaranty Company is USF&G Corp. Affiliates and subsidiaries (other than wholly owned subsidiaries) are:

Fidelity & Guaranty Insurance Underwriters, Inc.

Fidelity & Guaranty Insurance Co.

Light Street Income Fund, Inc.

Fidelity Insurance Co. of Canada

Fidelity & Guaranty Life Insurance Co.

Thomas Jefferson Life Insurance Company

DelMar Park Avenue Exploration Corp.

Fidelity & Guaranty Markets, Inc.

USF&G Turnkey Pension Corporation